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In the
Supreme Court of the United States

October Term, 1969

No. 297

PURER & COMPANY and PHILLIP PURER,
Appellants,
vs.
AKTIEBOLAGET ADDO and ADDO MACHINE COMPANY, INC.,
Appellees.

REPLY AND SUPPLEMENTAL BRIEF

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WESTERN PRINTING COMPANY, WHITTIER—OXBOW 8-1722

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Pursuant to Rule 24, subds. 4 and 5, of the Revised Rules of the Supreme Court, petitioners, Purer & Company and Phillip Purer submit this reply brief to the brief in opposition filed by respondents Aktiebolaget and Addo Machine Company, Inc.

1.

Petitioners' alleged error in that no proper *foundation* was laid to admit summaries of books and records into evidence in this cause (Petition, pages 9 and 14). In answer thereto respondents state on page 6 of their brief:

> "Such summaries are admissible when the original 'consists of numerous . . . writings that cannot be examined in court without great loss of time, and the evidence sought from them is only the general result of the whole.' Cal. Ev. C. Sec. 1509."

This, of course, is a correct statement of the law and it is not disputed by petitioners. But that is not the error that petitioners cite.

What petitioners contend is error was the trial court's ruling, that the testimony of the president of a corporation that he ordered his accounting department to prepare a summary of the books and records, was sufficient foundation, over objection, to allow the summaries into evidence. This is contrary to the well established rule that a proper foundation for the admission of summaries of books and records requires testimony from a custodian thereof that the entries contained in the books and records were made in the ordinary course of business under his direction and control and that the summaries represented by the exhibit were actually taken from these books and records. A statement from the president of the corporation that he ordered his accounting department to prepare such a summary is not sufficient foundation and does not support a finding based on the contents of the summaries.

2.

Petitioners contend that the trial court committed error in allowing certain photographs into evidence

without a proper foundation (Exhibits 12 to 12h). The lack of foundation is as follows:

a. The witness did not see the interior of the adding machine received from Lindeteves.

b. The witness did not take the actual photographs and, of course, could not testify that the photographs represented what he saw.

c. There was no evidence that the adding machine purchased by respondent's agent, Lindeteves, in Japan, which presumably was the model for the photographs, was actually a Toshiba machine.

This contention brought forth an unusual response from respondents (Brief in Opposition, page 6):

> "The statement at page 16 of the petition that the witness, Addo's president, had not seen the interior of the Tokyo Electric Company copy is erroneous. Both the witness and the court saw the interior of both machines."

The trial court admitted the photographs into evidence on the assumption that since Gunnar Agrell, the president of Aktiebolaget, had requested his agent Lindeteves to procure a Toshiba machine, that is what he received from him. The machine which modelled for the photographs was never offered into evidence, and the objection that the machine was the real evidence and not the photographs was overruled (R.T. p. 52).

Since the machines portrayed by Exhibits 67 and 70 were not the models for the photographs Exhibits

12 to 12h, obviously what the witness and the court saw at the time of trial can impart no authenticity to photographs taken at least two years before.

3.

Petitioners' contention that it was error to admit into evidence unverified letters from dealers for the purpose of showing their state of mind (Petition, pages 22-23) is rejected by respondents on the authority of *Phillips v. Glazer* (1949) 94 Cal. App. 2d 673, 676, 211 P. 2d 37. (Respt. Br., p. 7.)

But *Phillips v. Glazer* does not aid the respondents at all. In that cause one Barstow took the stand as a witness and testified under oath. The Court held that it was proper for Mr. Barstow to testify, subject to cross examination of course, as to his state of mind based on hearsay declarations; which is not the same as producing unverified letters to show the state of mind of persons who are not witnesses and not subject to cross examination but which the trial court and the appellate court in this cause held is proper. An excerpt of the opinion of *Phillips v. Glazer* is annexed hereto as Appendix A.

4.

Respondents are correct when they state (Resp. Br. p. 7) that despite the fact that petitioners' letters to respondent contained a picture of a factory with oriental ideographs and the phrase "New Modern Facil-

ity in Ohito" imprinted thereon in bold type, the trial court accepted the explanation of Gunnar Agrell, the president of Aktiebolaget, that he didn't see the picture or the phrase printed underneath the photographs when he read the letters. Respondents are also correct when they state that the Court rejected the contention of petitioners, that regardless of Mr. Agrell's explanation, he was still charged with notice of the photographs and the legend (Cal. Civil Code, Sec. 19) and that the court openly stated that petitioners should have added the name "Japan".

But just how that would help respondents is not clear. Since Mr. Agrell's defense and explanation was that *he did not examine the photographs or see the legend,* how the addition of the title "Japan" would have caused him to read or see what was in front of him is not explained.

This is not a situation where Mr. Agrell misread or misunderstood what he saw. If that was his explanation, then perhaps the addition of "Japan" to the information may have imparted a different meaning. But if he didn't examine or didn't see either the picture or the phrase, it would make absolutely no difference whatsoever what was on it or what was omitted, and an assumption that he would have noticed it with the name "Japan" on it and then read it is pure speculation.

For the convenience of the court there is annexed hereto as Appendix B an excerpt of the testimony of Mr. Agrell (R.T. pp. 186-189).

5.

Respondents argue that unfair competition exists in this cause without the need of establishing either secondary meaning or public confusion (Resp. Br. p. 8):

a. Representing oneself as having the good will of or business affiliation with another, when such is not the case.

b. Purer's advertised connection with Addo, when such connection has been emphatically severed, was false advertising and unfair competition.

In support thereof respondents cite:

Stork Restaurant v. Sahati, 166 F. 2d 348, 355, 9th cir., 1948;
Hanson v. Triangle Publications, 163 F. 2d 74, 78, 8th cir. 1947;
Metro-Goldwyn-Mayer, Inc. v. Lee, 212 Cal. App. 2d 23, 29; 27 Cal. Rptr. 833 (1963).

However, these cases are directly contrary to respondents' contentions.

In *Stork Restaurant v. Sahati,* evidence was introduced that through advertising, articles, publications, motion pictures, radio programs, etc. the name "Stork Club" was associated by the *public* with plaintiff's night club in New York (p. 351), and the court found that as a result the *public* would be confused or deceived by associating defendant's club in San Francisco with that of plaintiff.

In *Hanson v. Triangle Publications,* the court found on substantial evidence (p. 77):

> "that plaintiff's use of the trade mark 'Seventeen' had acquired a secondary meaning indicative in the *public* mind of a relationship between the magazine and any girls apparel on which or as to which the name was used. . . ." (emphasis added)

Metro-Goldwyn-Mayer, Inc. v. Lee was decided on affidavits on a motion for a preliminary injunction. In affirming the order of the trial court granting the preliminary injunction, the appellate court stated on page 29:

> "In the law of unfair competition it is the liklihood or probability of *public* deception that forms the acid test." (italics added)

In the present cause respondents failed to establish either secondary meaning of their name or public association of their product and they contend that it is not necessary for them to do so in the present law suit. Their contention is that unfair competition exists *because their own dealers are confused* (Findings of Fact Nos. 61-62; Nos. 68-70; Petition, Appendix "C", pp. 13-16) and the evidence that their dealers are confused came from the unverified letters submitted by their own dealers dated November 2, 3 and 4, 1965 (Exhibits 53-57 incl.) and all in answer to an inquiry from Monroe Oppenheimer, the sales manager of Addo; and from unverified letters dated November 1, 1965 addressed to respondents' Western Representative (Exhibits 61-65 incl.).

Unfair competition is grounded on the premise that the *public,* even a sophisticated public, must be protected from deception. Presumably in a proper case the courts may extend the doctrine of unfair competition to protect dealers or merchants in a specific industry from deception although such a situation has not as yet been considered. But respondents' theory that the doctrine of unfair competition is applicable to protect its own dealers from misrepresentation or false advertising is distorting the doctrine and destroying its purpose.

Although false advertising may constitute unfair competition, as respondents state (Resp. Br. p. 8), nevertheless this court unanimously held that false advertising does not constitute unfair competition without evidence that a purchaser relied on the false advertising to purchase defendant's product believing it to be that of plaintiff. (*Mosler Safe Co. v. Ely-Norris Safe Co.,* 1927, 273 U.S. 132, 47 S. Ct. 314, 71 L. Ed. 578.)

6.

Respondents' final point is that since petitioners conceded the validity of the patents in answer to the complaint and admitted infringement in the pre-trial order, findings as to the validity of the patents and infringement are not required (Resp. Br. p. 8). This statement is not correct for several reasons:

a. Since the validity of a patent is one of law, not

fact, (*Graham v. John Deere Co. of Kansas City,* 1966, 383 U.S. 1, 17, 86 S. Ct. 684, 15 L. Ed. 545) even a stipulation that the patent is valid would not relieve the trial court of its responsibility to make a finding that it was valid, for stipulations as to the law are not binding on the court.

> *Case v. Los Angeles Lumber Products,* 1939, 308 U.S. 106, 114. 60 S .Ct. 1, 6, 84 L. Ed. 110;
> *Los Angeles Shipbuilding & Drydock Corp. v. United States,* 9th cir., 1961, 289 F. 2d 222, 231.

Nor can you stipulate what legal conclusions shall arise from a set of facts.

> *Stanford's Estate v. C.I.R.,* 1939 308 U.S. 39, 51, 60 S. Ct. 51, 59, 84 L. Ed. 20; rehear den. 308 U.S. 637, 60 S. Ct. 258, 84 L. Ed. 529.

In *Eureka Williams Corp. v. McCorquodale,* C.C.P.A. 1953, 205 F. 2d 155, cert. den. 346 U.S. 872, 74 S. Ct. 121, 98 L. Ed. 380 which involved a situation similar to respondent's contentions, the appellate court stated on page 158:

> "In finding the marks 'Hotomatic' and 'Oil-O-Matic' not confusingly similar, we have not ignored the stipulation in the record to the effect that the goods involved possess the same descriptive properties. Such a stipulation, however, cannot foreclose the right of the reviewing court to point out and observe perfectly obvious differences, which actually exist, and which we feel were not intended to be overlooked because

of a strict limitation that might be drawn from the language of such a stipulation."

b. Furthermore, petitioners did not concede validity of the patent or infringement either in their answer to the complaint or in the pre-trial order. Petitioners' answer to the complaint, to which respondents refer, (Cl. Tr. p. 198) reads:

> "Generally and specifically deny each and every allegation contained in Paragraphs III and IV of the First Cause of Action of the complaint except to *admit that letters patent annexed to the complaint as Exhibits 1 and 2 were duly issued by the United States.*" (italics added..)

and it is respectfully submitted that this means only that petitioners conceded that the United States issued letters patent and not that they are valid.

The pre-trial order (Cl. Tr. pp. 535-536) contains the following:

> "4. The validity of the aforesaid patents is not contested by defendants in this action.
>
> "9. The inventions described in the aforesaid letters patent are incorporated in the TEC model 7001 adding machine imported and sold in the United States by defendants."

It is again respectfully submitted that this language does not concede validity to any patents. It is clear that what was agreed is that respondents are to prove and establish the validity of the patent and that

petitioners will not dispute this proof. Any other contention would have carried simple language such as:

> "Plaintiff's patents are valid and defendants admit that they are infringing on plaintiff's valid patents."

c. Petitioners commenced their contract negotiations with respondent in November of 1964, which resulted in the license agreement of April 1, 1965 (Exhibit 26). Paragraph 7 of the license agreement states:

> "7. The Licensee shall not at any time during the continuance of this agreement or thereafter dispute the validity of the patents hereinbefore mentioned."

At least since 1950, continuing during the period of negotiation and the execution of the license agreement proceeding through the commencement of the present action, its trial and affirmance by the court of appeal, the law was settled by this court that a licensee was estopped from challenging the validity of the licensed patent at least in a suit for royalties due under the contract. (*Automatic Radio Mfg. v. Hazeltine Research,* 1950, 339 U.S. 827, 836, 70 S. Ct. 894, 94 L. Ed. 1312).

In the present suit petitioners were relying on a valid existing license agreement which respondent contended was obtained by fraud. Petitioners could not legally argue that this agreement was valid and bind-

ing and at the same time contend that the patents were invalid.

On June 16, 1969, this court decided *Lear v. Adkins,* 1969 ..... U.S. .....; 23 L. Ed. 2d 610 in which it overruled *Automatic Radio Mfg. Co. v. Hazeltine Research Inc.* stating (23 L. Ed. 2d on page 623):

> "We are satisfied that *Automatic Radio Co. v. Hazeltine Research Inc., supra,* itself the product of a clouded history, should no longer be regarded as sound law in respect of its 'estoppel' holding, and that holding is now overruled."

The present petition for a Writ of Certiorari was docketed with this Court on June 30, 1969, and although *Lear v. Adkins* was decided on June 16th, neither the decision nor the opinion were available at the time the petition for a Writ of Certiorari was prepared and docketed.

In view of the reservations made in the pre-trial order as to the validity of the letters patents and the decision of this court in *Lear v. Adkins,* the trial court should have made the *required* findings determining the validity of the letters patents (*Sinclair & Carroll Co. v. Interchemical Corp.* (1945) 325 U.S. 327, 330, 65 S. Ct. 1143, 89 L. Ed. 1644) and particularly which portions of petitioners' adding machines infringed on the claims of the letters patents. (*Neff Instrument Co. v. Cohn Electronics Inc.*, 9th Cir. 1961, 298 F. 2d 82, 88-89) and without such findings a judgment of infringement of

letters patent cannot stand (*U.S. v. Esnault-Pelterie,* (1936) 299 U.S. 201, 206; 57 S. Ct. 159, 81 L. Ed. 123).

CONCLUSION

The fact still remains that the trial court departed from the accepted and usual course of judicial procedure when without a proper foundation being offered as to their reliability it admitted into evidence books, records, documents and letters and proceeded to make findings of fact predicated on this evidence; that it received into evidence letters for the limited purpose of showing state of mind and not for the truth of its contents and then proceeded to make findings based on the truth of the contents of those letters; that it failed to make findings as to the validity of the letters patent or how petitioners infringed on respondents claims; and that the appellate court sanctioned this procedure. This court should therefore grant the petition for a Writ of Certiorari to review this procedure.

Dated at Los Angeles, California, August ....., 1969.

Respectfully submitted,

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